

**Waterworks District No. 2 of St. Helena Parish
Parish of St. Helena
Greensburg, Louisiana
Annual Financial Statements**

**As of and for the Years Then Ended December 31, 2012 and 2011
With Supplemental Information Schedules**

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CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL ACCOUNTING CORPORATION**

**Waterworks District No. 2 of St. Helena Parish
Parish of St. Helena, Louisiana**

**Annual Financial Statements
As of and for the Years Ended December 31, 2012 and 2011
With Supplemental Information Schedules**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District No. 2 of St. Helena Parish
Greensburg, Louisiana 70441

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of Waterworks District No. 2 of St. Helena Parish, Greensburg, Louisiana, a component unit of the St. Helena Parish Police Jury, as of and for the years ended December 31, 2012 and 2011 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Waterworks District No. 2 of St. Helena Parish
Greensburg, Louisiana 70441

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Waterworks District No. 2 of St. Helena Parish, Greensburg, Louisiana as of December 31, 2012 and 2011, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-14 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterworks District No. 2 of St. Helena Parish, Greensburg, Louisiana's financial statements as a whole. The supplemental information schedules on pages 42-44 are presented for purposes of additional analysis and are not a required part of the financial statements. The information has not been subjected to auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on them.

Waterworks District No. 2 of St. Helena Parish
Greensburg, Louisiana 70441

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 29, 2013 on my consideration of the Waterworks District No. 2 of St. Helena Parish, Greensburg, Louisiana's internal control over financial reporting and Waterworks District No. 2 of St. Helena Parish, Greensburg, Louisiana on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No. 2 of St. Helena Parish, Greensburg, Louisiana's internal control over financial reporting and compliance.

Respectfully submitted,

Anthony B Baglio, CPA
A Professional Accounting Corporation
Hammond, Louisiana

May 29, 2013

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Management's Discussion and Analysis

Waterworks District No. 2 of St. Helena Parish

Management's Discussion and Analysis

As of and for the Years Ended December 31, 2012 and 2011

Introduction

The Waterworks District No. 2 of St. Helena Parish (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

Financial Highlights

- At December 31, 2012, total assets were \$5,021,201, and exceeded liabilities in the amount of \$3,828,155 (i.e., net position). Of the total net position, \$506,914 was unrestricted and available to support short-term operations; \$258,400 was restricted primarily for capital projects and debt service, with a balance of \$3,062,841 as the investment in capital assets.
- For the year ended December 31, 2012, user fee revenues (water sales) increased by \$136,710 to \$813,266 as compared to \$676,556 for the fiscal year ending December 31, 2011.
- The District's operating expenses, other than depreciation expense, increased by \$19,448 to \$518,873 as compared to \$499,425 for the prior fiscal year. The increase is due primarily to salaries and decreases in repairs and maintenance.
- Total bonds payable decreased \$49,721 at December 31, 2012 as principal payments were made for fiscal year 2012.

Waterworks District No. 2 of St. Helena Parish

Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

Overview of the Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Waterworks District No. 2 of St. Helena Parish's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position account for the revenues and expenses for the fiscal year, and provides information on how net position changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule and key information schedules on operation of the District.

Financial Analysis

The purpose of financial analysis is to help determine whether Waterworks District No. 2 of St. Helena Parish is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Waterworks District No. 2 of St. Helena Parish

Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

Condensed Statement of Net Position 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>Dollar</u>	<u>Percentage</u>
		(Restated)	Change	Change
Assets:				
Current and Other Assets	\$ 959,513	\$ 804,106	\$ 155,407	19.33%
Capital Assets	4,061,688	4,051,221	10,467	0.26%
Total Assets	<u>5,021,201</u>	<u>4,855,327</u>	<u>165,874</u>	3.42%
Liabilities:				
Long-Term Debt Outstanding	998,847	1,048,568	(49,721)	-4.74%
Other Liabilities	194,199	197,603	(3,404)	-1.72%
Total Liabilities	<u>1,193,046</u>	<u>1,246,171</u>	<u>(53,125)</u>	-4.26%
Net Position:				
Investment in Capital Assets	3,062,841	3,002,653	60,188	2.00%
Restricted	258,400	231,360	27,040	11.69%
Unrestricted	506,914	375,143	131,771	35.13%
Total Net Position	<u>\$ 3,828,155</u>	<u>\$ 3,609,156</u>	<u>\$ 218,999</u>	6.07%

The major component of change for "Current and Other Assets" is an increase in cash and cash equivalents. The primary reason is an increase of \$121,975 in cash.

"Capital Assets" increased for the fiscal year ending December 31, 2012. Actual purchased additions included two vehicles of approximately \$16,500 each and construction costs of \$93,569 as detailed in *Footnote 6 – Capital Assets*. As part of these construction costs and beginning construction in progress, the Highway 1038 Tickfaw River relocation project was completed in 2012 at a total cost of \$80,571. The CWEF Water Line project was also completed in 2012 at a cost of \$110,940. A portion of this project was a capital contribution from the St. Helena Parish Police Jury in the amount of \$99,861. The remaining cost of \$11,079 was paid by the District. "Long-Term Debt Outstanding" decreased by \$49,721 as principal payments were made for the fiscal year ended.

"Total Net Position" (total assets less total liabilities) increased by \$218,999 for the fiscal year ending December 31, 2012. There were no additional districts acquired in 2012 or 2011 as there were in 2010 and 2009.

Waterworks District No. 2 of St. Helena Parish
Management's Discussion and Analysis
As of and for the Years Ended December 31, 2012 and 2011

Condensed Statement of Revenues, Expenses and Changes in Net Position
2012 and 2011

	Year ended December 31, 2012	Year ended December 31, 2011 (Restated)	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 898,199	\$ 764,653	\$ 133,546	17.46%
Nonoperating Revenues	15,131	6,255	8,876	141.90%
Total Revenues	<u>913,330</u>	<u>770,908</u>	<u>142,422</u>	18.47%
Expenses:				
Depreciation Expense	224,855	226,991	(2,136)	-0.94%
Other Operating Expense	518,873	499,425	19,448	3.89%
Nonoperating Expense	50,464	53,047	(2,583)	-4.87%
Total Expenses	<u>794,192</u>	<u>779,463</u>	<u>14,729</u>	1.89%
Income (Loss) Before Contributions	<u>119,138</u>	<u>(8,555)</u>	<u>127,693</u>	1492.61%
Capital Contributions	<u>99,861</u>	<u>-</u>	<u>99,861</u>	N/A
Changes in Net Position	<u>218,999</u>	<u>(8,555)</u>	<u>227,554</u>	2659.89%
Beginning Net Position	<u>3,609,156</u>	<u>3,617,711</u>	<u>(8,555)</u>	-0.24%
Ending Net Position	<u>\$ 3,828,155</u>	<u>\$ 3,609,156</u>	<u>\$ 218,999</u>	6.07%

While the Balance Sheet shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Waterworks District No. 2 of St. Helena Parish is being conservatively managed.

Total "Operating Revenues" increased by \$133,546. "Non-Operating Revenues" increased \$8,876. New water rates went into effect in May 2012, which increased the base residential rate by twenty-five percent and the commercial rate by forty percent. The number of customers increased by less than one percent. Water sales revenues were up twenty percent.

"Total Expenses" increased \$14,729. The increase is due primarily to increases in salaries of \$13,600, HRA expense \$5,800, and vehicles \$4,100. Decreases in repairs and maintenance of \$16,600, utilities of \$3,100, and depreciation \$2,100 occurred.

Waterworks District No. 2 of St. Helena Parish

Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

Budgetary Highlights

Waterworks District No. 2 of St. Helena Parish adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year ended December 31, 2012

	Budget Year ended December 31, 2012	Actual Year ended December 31, 2012	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 924,850	\$ 898,199	\$ (26,651)
Nonoperating Revenues	7,000	15,131	8,131
Total Revenues	<u>931,850</u>	<u>913,330</u>	<u>(18,520)</u>
Expenses:			
Depreciation Expense	240,000	224,855	15,145
Other Operating Expense	627,384	518,873	108,511
Nonoperating Expense	56,000	50,464	5,536
Total Expenses	<u>923,384</u>	<u>794,192</u>	<u>129,192</u>
Capital Contributions	-	99,861	99,861
Change in Net Position	<u>\$ 8,466</u>	<u>\$ 218,999</u>	<u>\$ 210,533</u>

Budget to actual operating expenses were lower and created favorable variances because repairs and maintenance expenses were \$32,000 below budgeted and salaries were \$41,000 below budgeted based on the operations of the District. There were no other significant variations from budgeted revenues or expenditures; therefore the budget was not amended at fiscal year-end.

Waterworks District No. 2 of St. Helena Parish

Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

The District had the following number of customers:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>Increase (Decrease)</u>
Customers			
Residential	2,260	2,247	13
Commercial and Dairy	63	64	(1)
Total Customers	<u>2,323</u>	<u>2,311</u>	<u>12</u>

Number of customers having a meter size larger than the residential size (3/4") 40

One key measure of the District's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2012 and 2011.

	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 58,187	\$ 44,738	\$ 13,449
31-60 Days Past Due	20,334	14,077	6,257
61-90 Days Past Due	4,784	3,059	1,725
Over 90 Days Past Due	<u>3,531</u>	<u>2,866</u>	<u>665</u>
Subtotal	86,836	64,740	22,096
Allowance for Uncollectible Accounts	<u>(1,100)</u>	<u>(1,100)</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 85,736</u>	<u>\$ 63,640</u>	<u>\$ 22,096</u>

Waterworks District No. 2 of St. Helena Parish

Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2012, Waterworks District No. 2 of St. Helena Parish had \$4,061,688 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements, investment in an office building, land, vehicles and maintenance equipment used to operate the water system. The changes in capital assets are presented in the table below.

	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land	\$ 23,111	\$ 23,111	\$ -	0%
Building & Improvements	246,146	242,646	3,500	1%
Equipment	136,598	144,982	(8,384)	-6%
Furniture and Fixtures	14,649	14,649	-	0%
Vehicles	117,009	95,493	21,516	23%
Utility System	6,900,567	6,704,356	196,211	3%
Construction in Progress	44,920	43,005	1,915	4%
Subtotal	7,483,000	7,268,242	214,758	3%
Less: Accumulated Depreciation	(3,421,312)	(3,217,021)	(204,291)	-6%
Net Capital Assets	<u>\$ 4,061,688</u>	<u>\$ 4,051,221</u>	<u>\$ 10,467</u>	0%

"Capital Assets" decreased by \$10,467 for the fiscal year ending December 31, 2012. Actual purchased additions included two vehicles of approximately \$16,500 each and construction costs of \$93,569. As part of these construction costs and beginning construction in progress, the Highway 1038 Tickfaw River relocation project was completed in 2012 at a total cost of \$80,571. The CWEF Water Line project was also completed in 2012 at a cost of \$110,940. A portion of this project was a capital contribution from the St. Helena Parish Police Jury in the amount of \$99,861. The remaining cost of \$11,079 was paid by the District. Construction in progress at year end included engineering and other costs on Phase V of \$21,560 as of December 31, 2012, and under the Community Water Enrichment Fund (CWEF), a total of \$34,473 was expended in 2012 for projects beginning as early as 2010.

Waterworks District No. 2 of St. Helena Parish

Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

Long-Term Debt

The primary source of long-term financing for Waterworks District No. 2 of St. Helena Parish is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS) in addition to one revenue bond, which was refunded by a private lending institution as Revenue Refunding Bonds, Series 2002. Interim financing, pending completion of construction, is generally financed by private financial institutions, or through low-interest programs of the Louisiana Public Facilities Authority. Interest rates for long-term debt financed through RUS and a private lending institution at December 31, 2012, range from 4.5% to 6.375%, with initial payment terms for bonds generally at 40 years.

Bonds financed for Waterworks District No. 2 of St. Helena Parish do not generally require a specific debt to net income or net cash flow ratio, but bond restrictions do state that the District must set its water rates at a level necessary to fund debt service requirements and to pay for the normal operating expenses of the District. One measure of the operating performance of the District is the Debt to Net Position ratio. This measure, viewed over time, yields a comparison of how the District has maintained a workable ratio of total debt to net resources of the District. An increase over an extended period of time would indicate that the District is increasing debt in relation to its operating performance, and management should analyze other factors, such as overall profitability, to ensure that total debt is increased only in relation to the income that will be earned by financed expansions. As indicated, the ratio is only a measure of performance and should be reviewed over an extended period of time in combination with other factors that indicate the profitability of the District.

	December 31, 2012	December 31, 2011 (Restated)
Total Long-Term Debt	\$ 998,847	\$ 1,048,568
Total Net Position	\$ 3,828,155	\$ 3,609,156
Total Long-Term Debt to Net Position Ratio	0.26	0.29

The board of commissioners of Waterworks District No. 2 of St. Helena Parish has managed the District conservatively, maintaining a favorable ratio of debt to water system assets.

Waterworks District No. 2 of St. Helena Parish

Management's Discussion and Analysis

As of and for the Years Ended December 31, 2012 and 2011

Future Economic Plans

The Waterworks District No. 2 of St. Helena Parish's management approach is conservative. The Board actively monitors revenues and expenses and evaluates the costs of proposed expansion projects. The board's emphasis is on managing operating costs and generating the level of revenues that provides for the most efficient operation of the District. The District took significant steps to improve the water system, including obtaining funding of \$7,150,000 for Phase V North and Phase V South water improvements. A description of these significant events is more fully described in *Footnote 13 – Subsequent Events*.

Business-Type Financial Statements

Waterworks District No. 2 of St. Helena Parish
Comparative Statement of Net Position
As of December 31, 2012 and 2011

Statement A

	<u>2012</u>	<u>2011</u> (Restated)
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 426,980	\$ 333,345
Receivables, Net :		
Accounts	85,736	63,640
Other	32,713	25,368
Inventory	39,097	35,494
Prepaid Insurance	6,299	5,911
Total Current Assets	<u>590,825</u>	<u>463,758</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents	368,688	340,348
Total Restricted Assets	<u>368,688</u>	<u>340,348</u>
Property, Plant, and Equipment		
Land	23,111	23,111
Construction in Progress	44,920	43,005
Property, Plant and Equipment, Net	3,993,657	3,985,105
Total Property, Plant, and Equipment	<u>4,061,688</u>	<u>4,051,221</u>
Total Assets	<u>5,021,201</u>	<u>4,855,327</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	27,855	36,614
Other Accrued Payables	56,056	52,001
Total Current Liabilities (Payable From Current Assets)	<u>83,911</u>	<u>88,615</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	85,469	82,889
Revenue Bonds Payable	51,544	49,514
Accrued Interest - RUS Bonds	24,819	26,099
Total Current Liabilities (Payable From Restricted Assets)	<u>161,832</u>	<u>158,502</u>
Long Term Liabilities:		
Bonds Payable	947,303	999,054
Total Long Term Liabilities	<u>947,303</u>	<u>999,054</u>
Total Liabilities	<u>1,193,046</u>	<u>1,246,171</u>
Net Position		
Investment in Capital Assets	3,062,841	3,002,653
Restricted	258,400	231,360
Unrestricted	506,914	375,143
Total Net Position	<u>\$ 3,828,155</u>	<u>\$ 3,609,156</u>

See accompanying notes and accountant's report.

Statement B

Waterworks District No. 2 of St. Helena Parish
Comparative Statement of Revenues, Expenses, and Changes in Net Position
For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
		<u>(Restated)</u>
Operating Revenues		
Water Sales	\$ 813,266	\$ 676,556
Service and Connection Fees	47,205	56,830
Penalties	30,256	23,872
Other Revenues	7,472	7,395
Total Operating Revenues	<u>898,199</u>	<u>764,653</u>
Operating Expenses		
Advertising	5,938	5,465
Bad Debts	5,153	5,003
Billing	18,166	16,576
Postage	9,787	7,399
Chemicals/Chlorination	13,298	14,472
Deferred Compensation	11,921	10,990
Depreciation	224,855	226,991
Director's Expense	2,850	2,900
Educational Expense	1,895	20
Fuel	1,415	405
HRA Expense	19,897	14,032
Insurance	34,372	31,668
Meter Installations	13,978	13,101
Other	8,636	7,746
Payroll Taxes	15,623	14,692
Professional Fees:		
Accounting	11,157	9,894
Auditing	8,520	8,500
Legal Fees	-	480
Repairs and Maintenance	18,218	34,850
Salaries and Wages	203,817	190,169
Supplies - Office	6,145	5,251
Supplies - Water System	27,803	25,704
Telephone	4,938	4,856
Testing - Water	1,360	2,380
Travel	57	-
Utilities	47,026	50,097
Vehicle Expenses	26,903	22,775
Total Operating Expenses	<u>743,728</u>	<u>726,416</u>
Operating Income (Loss)	<u>154,471</u>	<u>38,237</u>
Nonoperating Revenues (Expenses)		
Interest Income	1,426	2,195
Interest Expense	(50,464)	(53,047)
Bad Debt Recovery	2,909	1,293
Gain on Disposition of Capital Assets	6,208	-
Other Income	4,588	2,767
Total Nonoperating Revenues (Expenses)	<u>(35,333)</u>	<u>(46,792)</u>
Income (Loss) Before Contributions	<u>119,138</u>	<u>(8,555)</u>
Contributions		
Capital Contributions	99,861	-
Change in Net Position	<u>218,999</u>	<u>(8,555)</u>
Total Net Position, Beginning Prior to Adjustments	<u>3,611,277</u>	<u>3,620,228</u>
Prior Period Adjustments	(2,121)	(2,517)
Total Net Position, Beginning After Adjustments	<u>3,609,156</u>	<u>3,617,711</u>
Total Net Position, Ending	<u>\$ 3,828,155</u>	<u>\$ 3,609,156</u>

See accompanying notes and accountant's report.

Statement C

Waterworks District No. 2 of St. Helena Parish
Comparative Statement of Cash Flows
For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		(Restated)
Received From Customers	\$ 868,631	\$ 758,681
Received for Meter Deposit Fees	2,580	3,070
Other Receipts	127	12,505
Payments for Operations	(288,231)	(268,156)
Payments to Employees	(239,337)	(218,893)
Net Cash Provided by Operating Activities	<u>343,770</u>	<u>287,207</u>
Cash Flows From Noncapital Financing Activities		
Recovery of Bad Debts	2,909	1,293
Other Receipts	4,588	2,767
Net Cash Provided by Noncapital Financing Activities	<u>7,497</u>	<u>4,060</u>
Cash Flows From Capital and Related Financing Activities		
Capital Contributions of Fixed Assets (Received)	99,861	-
Proceeds from Sale of Capital Acquisitions	6,208	-
(Payments for) Capital Acquisitions	(235,322)	(45,976)
Principal Proceeds from (Repayments for) Long Term Debt	(49,721)	(46,067)
Interest Payments for Long Term Debt	(51,744)	(54,907)
Net Cash Used by Capital and Related Financing Activities	<u>(230,718)</u>	<u>(146,950)</u>
Cash Flows From Investing Activities		
Receipt of Interest	1,426	2,195
Proceeds from sale (Payments) for Investments	-	54,964
Net Cash Provided (Used) by Investing Activities	<u>1,426</u>	<u>57,159</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	121,975	201,476
Cash and Cash Equivalents, Beginning of Year	673,693	472,217
Cash and Cash Equivalents, End of Year	<u>\$ 795,668</u>	<u>\$ 673,693</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 426,980	\$ 333,345
Cash and Cash Equivalents, Restricted	368,688	340,348
Total Cash and Cash Equivalents	<u>\$ 795,668</u>	<u>\$ 673,693</u>

(Continued)

See accompanying notes and accountant's report.

Statement C

Waterworks District No. 2 of St. Helena Parish
Comparative Statement of Cash Flows
For the years ended December 31, 2012 and 2011

	<u>12/31/12</u>	<u>12/31/11</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		(Restated)
by Operating Activities		
Operating Income (Loss)	\$ 154,471	\$ 38,237
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation	224,855	226,991
(Increase) decrease in Accounts Receivable	(22,096)	1,423
(Increase) decrease in Other Receivable	(7,345)	5,110
(Increase) decrease in Inventory	(3,603)	(1,570)
(Increase) decrease in Prepaid Insurance	(388)	(2,440)
Increase (decrease) in Accounts Payable	(8,759)	5,665
Increase (decrease) in Accrued Expenses	4,055	10,721
Increase (decrease) in Customer Deposits	2,580	3,070
Net Cash Provided by Operating Activities	<u>\$ 343,770</u>	<u>\$ 287,207</u>

(Concluded)

See accompanying notes and accountant's report.

NOTES TO THE FINANCIAL STATEMENTS

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

Introduction

Waterworks District No. 2 of St. Helena Parish was established July, 1983, by an ordinance of the St. Helena Parish Police Jury, Greensburg, Louisiana. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for a five-member governing board of commissioners appointed by the St. Helena Parish Police Jury. The District currently serves 2,323 customers as of December 31, 2012, and operates in an area extending from Livingston Parish on the southern boundary and extending northward through Ward 5, Ward 3 north of Montpelier (bounded on the south by Ward 4), north to most of Ward 2, and parts of Ward 1 and 6. Waterworks District No. 2 of St. Helena Parish was thus created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the power and privileges granted by the Constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Waterworks District No. 2 of St. Helena Parish is considered a component unit of the St. Helena Parish Police Jury.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as described in the following paragraphs.

These financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements originally including a statement of net assets (or balance sheet), a statement of activities, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which require capital contributions to the District to be presented as a change in net position.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J – Net Position*.

The District has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the District is more fully described in *Footnote I – Long-Term Debt Offerings*.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

B. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of ninety days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

C. Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed ninety days, they are classified as investments; however, if the original maturities are ninety days or less, they are classified as cash equivalents.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost
- The District had no investments at fiscal year-end. The one certificate of deposit classified as a restricted investment was converted to cash before fiscal year end.
- There is no involuntary participation in an external investment pool.

D. Inventories

Inventories consist of materials and supplies and are recorded as an expense when consumed. Inventories are valued at cost using the first-in, first-out method.

E. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

G. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings	15 - 30 Years
Equipment	5 - 7 Years
Furniture and Fixtures	5 - 7 Years
Vehicles	5 - 7 Years
Utility System	20 - 40 Years

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

H. Compensated Absences

The District has the following policy related to vacation and sick leave:

During the fiscal year ending December 31, 2010, the Board of Commissioners approved a change in policy that allows the accumulation of vacation and sick leave as wages are paid every two weeks. The previous policy allowed all regular employees to earn four hours of vacation leave and eight hours of sick leave per month. Under the new policy, 1.85 hours of vacation and 3.7 hours of sick leave are earned per two-week pay period. Unused vacation and sick leave is paid upon termination

In accordance with GASB-16, *Accounting for Compensated Absences*, vacation and sick leave has been accrued for unused employee leave.

I. Long-Term Debt Offerings

Long-term liabilities are recognized within the Enterprise Fund. The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued ("old") debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses). Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

For the District, bond issue costs for existing bonds at December 31, 2012 are recognized as a prior period adjustment per *Footnote 12 – Prior Period Adjustments*.

J. Net position

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

Net Investment in Capital Assets Component of Net Position

The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted Component of Net Position

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted Component of Net Position

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

2. Cash and Cash Equivalents

At December 31, 2012, the District has cash and cash equivalents (book balances) as follows:

Demand Deposits	\$ <u>795,668</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2012 the District has \$823,214 in demand deposits (collected bank balances) for cash and cash equivalents, in two different banks. For each separate bank the demand deposits are secured from risk by \$250,000 of federal deposit insurance for the entity holding the account. The excess amount for the banks was covered with \$323,214 of pledged securities held by the custodial banks for the respective excess balance held in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

3. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments, when held, are carried at fair market value, with the estimated fair market value based on quoted market prices.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates

4. Receivables

The following is a summary of receivables at December 31, 2012 and 2011:

	Year Ended December 31, 2012	Year Ended December 31, 2011	Increase (Decrease)
Accounts Receivable			
Current	\$ 58,187	\$ 44,738	\$ 13,449
31-60 Days Past Due	20,334	14,077	6,257
61-90 Days Past Due	4,784	3,059	1,725
Over 90 Days Past Due	3,531	2,866	665
Subtotal	86,836	64,740	22,096
Allowance for Uncollectible Accounts	(1,100)	(1,100)	-
Net Accounts Receivable	<u>\$ 85,736</u>	<u>\$ 63,640</u>	<u>\$ 22,096</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of un-collectability. In 2012, the board authorized write-offs for the fiscal year of \$5,153.

“Other Receivables” totaled \$32,713 for the fiscal year ending December 31, 2012 and include primarily estimated unbilled revenues (accrued billings). Accrued billings amounts were \$32,637 and \$25,240 at December 31, 2012 and 2011 respectively.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

5. Restricted Assets

Restricted assets were applicable to the following sources at December 31, 2012 and 2011:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Restricted Cash and Cash Equivalents		
Customer Deposits	\$ 20,445	\$ 22,967
Bond Reserve Account - Rural Utility Service (RUS)	100,421	94,957
Bond Depreciation and Contingency Account - RUS	30,267	25,086
Bond Sinking Account - RUS	182,693	169,418
Construction Account - Phase IV RUS	108	108
Accumulated Leave Account	34,754	27,812
Total Restricted Assets	<u>\$ 368,688</u>	<u>\$ 340,348</u>

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2012 is as follows:

	<u>Beginning Balance 12/31/11</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>Ending Balance 12/31/12</u>
Capital Assets				
Land	\$ 23,111	\$ -	\$ -	\$ 23,111
Building & Improvements	242,646	3,500	-	246,146
Equipment	144,982	616	(9,000)	136,598
Furniture and Fixtures	14,649	-	-	14,649
Vehicles	95,493	33,080	(11,564)	117,009
Utility System	<u>6,704,356</u>	<u>196,211</u>	<u>-</u>	<u>6,900,567</u>
Total Capital Assets in Service	7,225,237	233,407	(20,564)	7,438,080
Less Accumulated Depreciation	<u>(3,217,021)</u>	<u>(224,855)</u>	<u>20,564</u>	<u>(3,421,312)</u>
Total Capital Assets being Depreciated	4,008,216	8,552	-	4,016,768
Construction in Progress	43,005	93,569	(91,654)	44,920
Total Capital Assets, Net	<u>\$ 4,051,221</u>	<u>\$ 102,121</u>	<u>\$ (91,654)</u>	<u>\$ 4,061,688</u>

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

Depreciation expense for the fiscal year ending December 31, 2012, totaled \$224,855. Actual purchased additions included two vehicles of approximately \$16,500 each and construction costs of \$93,569. As part of these construction costs and beginning construction in progress, the Highway 1038 Tickfaw River relocation project was completed in 2012 at a total cost of \$80,571. The CWEF Water Line project was also completed in 2012 at a total cost of \$110,940.

Construction in progress at year end included engineering and other costs on Phase V of \$21,560 as of December 31, 2012, and under the Community Water Enrichment Fund (CWEF), a total of \$34,473 was expended in 2012 for projects beginning as early as 2010. The CWEF projects are funded through the St. Helena Parish Police Jury and the Tangipahoa Parish Council. The final costs of these projects will be recorded by the District upon formal donation of the water system improvements by the St. Helena Parish Police Jury and the Tangipahoa Parish Council.

During the fiscal year ending December 31, 2010, improvements to the water system were made with funds obtained by the St. Helena Parish Police Jury under the Community Water Enrichment Fund (CWEF) under a project entitled "CWEF Water Distribution System Addition". Funding totaled \$100,000 for the CWEF grant. In 2012, the St. Helena Parish Police Jury made a capital contribution in the amount of \$99,861 for the CWEF Water Line 2010 project. The remaining cost of \$11,079 was paid by the District. Other CWEF projects, with construction bid awards in 2012, were also funded at \$100,000 through the St. Helena Parish Police Jury and at \$35,000 through the Tangipahoa Parish Council.

On September 16, 2011, USDA approved a request for obligation of funds of \$3,450,000, for the Phase V South project, consisting of a loan of \$2,659,000 at an annual percentage rate of 3.375 percent and a grant of \$791,000. On January 12, 2012, USDA approved a request for obligation of funds of \$3,700,000, for the Phase V North project, consisting of a loan of \$2,238,000 at an annual percentage rate of 3.0 percent and a grant of \$1,462,000.

7. Accounts Payable and Accrued Liabilities

Payables at December 31, 2012 and 2011 were as follows:

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Accounts Payable:		
Vendors	\$ 12,855	\$ 20,001
Accrued Audit Fees	8,500	8,500
Accrued Accounting Fees	6,500	6,200
Construction	-	1,913
Total Accounts Payable	<u>\$ 27,855</u>	<u>\$ 36,614</u>
Accrued Liabilities:		
Accrued Vacation Leave	\$ 5,595	\$ 5,252
Accrued Sick Leave	34,244	29,457
Other Accrued Liabilities	16,217	17,292
Total Accrued Liabilities	<u>\$ 56,056</u>	<u>\$ 52,001</u>

The District maintains a cash account, totaling \$34,754 at December 31, 2012, to fund the related accrued leave obligation of \$39,839. Subsequent to fiscal year end, the District transferred \$5,085 from the operations and maintenance account to the leave cash account to fully fund the leave liability.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

8. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2012:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-Term Debt					
1987 Water Revenue Bonds	\$ 141,005	\$ -	\$ 5,051	\$ 135,954	\$ 5,201
1994 Water Revenue Bonds	287,478	-	7,246	280,232	7,333
1999 Water Revenue Bonds	173,354	-	3,113	170,241	3,366
2000 Water Revenue Bonds	242,731	-	4,311	238,420	4,644
2001 Water Revenue Bonds	204,000	-	30,000	174,000	31,000
Total Long-Term Debt	<u>\$ 1,048,568</u>	<u>\$ -</u>	<u>\$ 49,721</u>	<u>\$ 998,847</u>	<u>\$ 51,544</u>

Bonds payable balances as of December 31, 2012 are as follows:

	Bonds Payable End of Year	Due Within One Year
Revenue Bond \$ 198,000		
Water System- RUS Bonds 91-03 sold to Rural Utility Service		
Dated 9/12/1988 due in annual installments of principal and interest of		
\$ 13,868 through 1/26/2028 interest at 6.375%	\$ 278,100	\$ 5,201
Revenue Bond \$ 360,000		
Water System- RUS Bonds 91-05 sold to Rural Utility Service		
Dated 5/26/1994 due in annual installments of principal and interest of		
\$ 21,344 through 1/26/2034 interest at 5.0%	138,086	7,333
Revenue Bond \$ 200,000		
Water System- RUS Bonds 91-07 sold to Rural Utility Service		
Dated 8/26/1999 due in monthly installments of principal and interest of		
\$ 940 through 8/26/2039 interest at 4.75%	170,241	3,366
Revenue Bond \$ 278,000		
Water System- RUS Bonds 91-09 sold to Rural Utility Service		
Dated 7/1/2000 due in monthly installments of principal and interest of		
\$ 1,262 through 7/26/2040 interest at 4.5%	238,420	4,644
Revenue Bond \$ 416,000		
Water Revenue Refunding Bonds Series 2001 sold to Iberia Bank		
Dated 11/20/2001 due in annual installments of principal and biannual		
installments of interest at 5.2% through 2017	174,000	31,000
	<u>\$ 998,847</u>	<u>\$ 51,544</u>

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

The annual requirements to amortize all debt outstanding as of December 31, 2012, including interest payments of \$586,120 are as follows:

Year Ending 12/31/12	1987 Water Revenue Bonds \$ 198,000	1994 Water Revenue Bonds \$ 360,000	1999 Water Revenue Bonds \$ 200,000	2000 Water Revenue Bonds \$ 278,000	2001 Refunding Bonds \$ 416,000	Total
2013	\$ 13,868	\$ 21,344	\$ 11,280	\$ 15,145	\$ 39,242	\$ 100,879
2014	13,868	21,344	11,280	15,145	39,578	101,215
2015	13,868	21,344	11,280	15,145	39,810	101,447
2016	13,868	21,344	11,280	15,145	39,938	101,575
2017	13,868	21,344	11,280	15,145	38,988	100,625
2018 to 2022	69,340	106,722	56,400	75,727	-	308,189
2023 to 2027	69,340	106,722	56,400	75,727	-	308,189
2028 to 2032	13,868	106,722	56,400	75,727	-	252,717
2033 to 2037	-	21,344	56,400	75,727	-	153,471
2038 to 2040	-	-	18,800	37,860	-	56,660
	<u>\$ 221,888</u>	<u>\$ 448,230</u>	<u>\$ 300,800</u>	<u>\$ 416,493</u>	<u>\$ 197,556</u>	<u>\$ 1,584,967</u>

9. Flow of Funds, Restrictions on Use

Specific legal requirements for reserve accounts are as follows:

- **Bond Sinking Fund**

- a. There shall be established a "Water System Revenue Bond and Sinking Fund" - sufficient in amount to pay the principal and interest on outstanding revenue bonds as they become due and payable. Payments are to be made from the Operating Fund (Revenue Fund) of the District, to the "Revenue Sinking Fund" by the 20th of each month, in an amount equal to 1/12 of the interest and principal falling due on the next bond payment date. Monies in the "Revenue Sinking Fund" are deposited as Trust Funds, and are exclusively pledged for the purpose of paying principal and interest on the Revenue Bonds.
- b. The District made all of the required deposits for the RUS Bonds and for the 2001 Water Revenue Refunding Bonds, issued in parity with the RUS Bonds, maintaining a total of \$182,693 at December 31, 2012.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

- **Bond Reserve Fund**

- a. Bond reserve deposit requirements are as modified by the RUS letter of conditions dated February 10, 2000, and by bond reserve requirements of the 2001 Water Revenue Refunding Bonds.
- b. There shall be set aside into a "Utility System Revenue Bond Reserve Fund" a sum equal to five percent of the monthly bond payment after the construction becomes revenue producing until there is accumulated therein an amount equal to the highest succeeding annual debt service payment in any future year. The actual required deposit for any given year is calculated by multiplying the annual debt service requirement times five percent for all revenue bonds of the District. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund as to which there would otherwise be default.
- c. Combined payment requirements for the RUS bond issues and the 2001 Water Revenue Refunding Bonds is \$426 per month.
- d. The twelve required monthly payments to the "Revenue Bond Reserve Fund" were made for the year 2012 with a balance maintained of \$100,421 at December 31, 2012, as compared to a balance of \$94,957 at December 31, 2011.

- **Bond Depreciation and Contingency Fund**

- a. Funds are also to be deposited into a "Depreciation and Contingency Fund," under the terms of the RUS Bond issues and the 2001 Water Revenue Refunding Bonds. Funds in the Depreciation and Contingency Fund are to be used to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the System by transferring from the Water Revenue Fund to the regularly designated fiscal agent bank of the Issuer (or such other bank designated by the Issuer with the approval of the Government), monthly in advance on or before the 20th day of each month of each year beginning with the first month following completion of the improvements and extensions to the System financed with the proceeds of the Bonds, the sum equal to five percent of the amount to be paid monthly into the Sinking Fund. Upon the Reserve Fund being funded to the Reserve Fund Requirement, the monthly deposit into the Contingency Fund will increase to an amount equal to ten percent of the amount paid monthly into the Sinking Fund with respect to the Bonds, all as required by the Government, which monthly payments will be in addition to those required to be made into the Contingency Fund by the Parity Bond Resolutions. Moneys in the Contingency Fund shall also be used to pay the principal of and interest on any bond for the payment of which there is not sufficient money in the Sinking Fund or the Reserve Fund, but if so used, such money shall be replaced by the Issuer as soon as possible

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

thereafter out of the earnings of the System after making the required payments into the respective funds and accounts herein above set out.

- b. Combined payment requirements for the RUS bond issues and the 2001 Water Revenue Refunding Bonds increased to \$426 per month beginning February 20, 2002.
- c. The twelve required monthly payments to the "Depreciation & Contingency Fund" were made for the year 2012. The balance in the "Depreciation and Contingency Fund" at December 31, 2012 was \$30,267, as compared to \$25,086 at December 31, 2011.
- d. All the revenues received in any year and not required to be paid in such year into any of the noted funds shall be regarded as surplus and may be used for any lawful corporate purpose. Deposits for the "Utility System Revenue Bond Reserve Fund" and deposits for the "Depreciation and Contingency Fund" are now maintained in separate checking accounts and a certificate of deposit, with the balances accounted for separately in the financial statements.

10. Restricted and Designated Net Position

At December 31, 2012, Waterworks District No. 2 of St. Helena Parish recorded \$258,400 in Restricted Net Position, \$34,754 was for an accrued leave cash account, the remainder of \$223,646 was Restricted for Capital Activity and Debt Service. This represents the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, legal obligation of the District to fund accounts, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

11. Health Reimbursement Account

During the fiscal year ending December 31, 2007, the District implemented a Health Reimbursement Arrangement (HRA) to help employees provide for medical expenses. Under this plan the District, as of fiscal year 2012, contributes a total of \$400 per month for each full-time employee and \$200 per month for each part-time employee. Plan documentation for the HRA account is maintained by an outside administrator that processes claims based on documentation provided by the participant. The Health Reimbursement Account expenses for the district increased from \$14,032 to \$19,897 from the fiscal year ending December 31, 2011 to December 31, 2012.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

12. Prior Period Adjustments

Beginning Net Position Before Prior Period Adjustments	\$ 3,611,277
To expense bond issue costs to recognize the outflow of resources in the period incurred under GASB 65	
Bond Issue Costs	6,686
Accumulated Amortization of Bond Issue Costs	(8,807)
Ending Net Position After Prior Period Adjustments	\$ <u>3,609,156</u>

The District adopted GASB 65 for the fiscal year ending December 31, 2012, which required bond issuance costs to be expensed in the period incurred. The bond issuance costs in the utility fund, which were not fully amortized, required a prior period adjustment to reduce net position by \$2,121. The net effect of these changes as a reduction to net position is reflected in the prior period comparative information presented in this report.

13. Subsequent Events

These financial statements considered subsequent events through May 29, 2013, the date the financial statements were available to be issued. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2012, other than disclosures in *Footnote 6 – Capital Assets* relating to USDA funding for Loans and Grants for Phase V North and Phase V South Construction, and as further described below.

The Phase V South USDA Letter of Conditions authorized funding not to exceed \$2,659,000 in loan funds and \$791,000 in grant funds. On November 8, 2012, the District awarded construction contracts, contingent upon the issuance of bond anticipation notes. The District also requested permission from USDA to use approximately \$856,000 remaining in contingency, after bid awards, for additional water system improvements. Construction began in February 2013, with the issuance of bond anticipation notes in an amount not to exceed the original USDA authorization.

The Phase V North USDA Letter of Conditions authorized funding not to exceed \$2,238,000 in loan funds and \$1,462,000 in grant funds. The District is proceeding in the second quarter of fiscal year 2013, with approvals required for issuance of loan funds, and anticipates beginning construction as bond anticipation notes are issued.

**REQUIRED SUPPLEMENTAL INFORMATION
(PART II)**

Waterworks District No. 2 of St. Helena Parish
Budgetary Comparison Schedule
For the year ended December 31, 2012
With comparative amounts for the fiscal year ended December 31, 2011

	2012 Budget	2012 Actual	Variance Favorable (Unfavorable)	2011 Actual (Restated)
Operating Revenues				
Water Sales	\$ 840,000	\$ 813,266	\$ (26,734)	\$ 676,556
Other Water Sales	500	-	(500)	-
Service and Connection Fees	50,000	47,205	(2,795)	56,830
Late Payment Penalties	33,600	30,256	(3,344)	23,872
Other	750	7,472	6,722	7,395
Total Operating Revenues	924,850	898,199	(26,651)	764,653
Operating Expenses				
Advertising	6,500	5,938	562	5,465
Bad Debts	6,000	5,153	847	5,003
Billing	17,000	18,166	(1,166)	16,576
Postage	8,000	9,787	(1,787)	7,399
Chemicals/Treatment	20,000	13,298	6,702	14,472
Deferred Compensation	14,700	11,921	2,779	10,990
Depreciation	240,000	224,855	15,145	226,991
Director's Expense	3,000	2,850	150	2,900
Educational Expense	2,000	1,895	105	20
Fuel	2,000	1,415	585	405
HRA Expense	22,080	19,897	2,183	14,032
Insurance	40,000	34,372	5,628	31,668
Meter Installations	14,000	13,978	22	13,101
Other	5,004	8,636	(3,632)	7,746
Payroll Taxes	19,600	15,623	3,977	14,692
Professional Fees:				
Accounting	15,000	11,157	3,843	9,894
Auditing	8,500	8,520	(20)	8,500
Legal Fees	1,500	-	1,500	480
Repairs and Maintenance	50,000	18,218	31,782	34,850
Salaries and Wages	245,000	203,817	41,183	190,169
Supplies - Office	7,000	6,145	855	5,251
Supplies - Water System	37,000	27,803	9,197	25,704
Telephone	5,000	4,938	62	4,856
Testing - Water	-	1,360	(1,360)	2,380
Travel	1,000	57	943	-
Utilities	50,000	47,026	2,974	50,097
Vehicle Expenses	27,500	26,903	597	22,775
Total Operating Expenses	867,384	743,728	123,656	726,416
Operating Income (Loss)	57,466	154,471	97,005	38,237
Nonoperating Revenues (Expenses)				
Interest Income	2,500	1,426	(1,074)	2,195
Interest Expense	(56,000)	(50,464)	5,536	(53,047)
Bad Debt Recovery	1,000	2,909	1,909	1,293
Gain on Disposition of Capital Assets	-	6,208	6,208	-
Other Income	3,500	4,588	1,088	2,767
Total Nonoperating Revenues (Expenses)	(49,000)	(35,333)	13,667	(46,792)
Income (Loss) Before Contributions and	8,466	119,138	110,672	(8,555)
Contributions and Transfers				
Capital Contributions	-	99,861	99,861	-
Change in Net Position	8,466	218,999	210,533	(8,555)
Total Net Position, Beginning Prior to Adjustments	3,611,277	3,611,277	-	3,620,228
Prior Period Adjustments	-	(2,121)	(2,121)	(2,517)
Total Net Position, Beginning After Adjustments	3,611,277	3,609,156	(2,121)	3,617,711
Total Net Position, Ending	\$ 3,619,743	\$ 3,828,155	\$ 208,412	\$ 3,609,156

See accountant's report.

OTHER SUPPLEMENTAL INFORMATION

Schedule 2

Waterworks District No. 2 of St. Helena Parish
Schedule of Insurance
For the year ended December 31, 2012

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
Arch Insurance Company- Policy # GWPKG0079906	Crime Coverage Part Supplemental Declarations:		1/22/2012 to 1/22/2013
	Employee Dishonesty Coverage	\$ 110,000	
	Forgery or Alteration Coverage	100,000	
	Theft - Inside and Outside	25,000	
	Computer Fraud Coverage	50,000	
	Business Auto Coverage - Combined		
	Single Limit Liability:	1,000,000	
	Uninsured Motorists Coverage	1,000,000	
	Comprehensive and Collision	Scheduled	
	Coverage, as Scheduled		
	Property/Inland Marine Coverage - per Filed Statement of Values	Scheduled	
	Commercial General Liability:	3,000,000	
	Aggregate Policy Limit		
	Per Occurance	1,000,000	
	Personal Injury and Product Liability	1,000,000	
	Damage to Rented Property	100,000	
	Professional Liability:		
	Per Claim	1,000,000	
	Aggregate	3,000,000	
	Employment Practices Liability	1,000,000	
	Aggregate	3,000,000	
Arch Insurance Company- Policy # GWUFXS0079901	Excess Insurance Coverage	1,000,000	1/22/2012 to 1/22/2013
Louisiana Workers' Compensation 17223-B	Workmen's Compensation at statutory limits Employer's Liability	500,000	4/17/2012 to 4/17/2013

See accountant's report.

Schedule 3

**Waterworks District No. 2 of St. Helena Parish
Schedule of Compensation Paid to Board of Commissioners
For the year ended December 31, 2012**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Jim Hitchens, President (985) 748-7741	6914 Highway 441 Amite, LA 70422	\$ 600	7/26/16
Evelyn Jones, Secretary-Treasurer (225) 222-6826	16375 Highway 441 Kentwood, LA 70444	550	7/26/17
Nancy Holland (985) 748-4879	11853 Hwy 441 Amite, LA 70422	600	7/26/15
Wilbert Knox (225) 222-4401	11491 Hwy 38 Greensburg, LA 70441	600	7/26/14
Lea Vern Sims (225) 222-4367	1595 Pumping Station Rd Greensburg, LA 70441	500	7/26/13
		<u>\$ 2,850</u>	

See accountant's report.

Schedule 4

**Waterworks District No. 2 of St. Helena Parish
Schedule of Water Rates
For the year ended December 31, 2012**

Water	
Residential Rates	Commercial Rates
\$ 15.00 - First 2,000 Gallons	\$ 33.00 - First 8,000 Gallons
3.00 - Per 1,000 Gallons of Water over 2,000 Gallons	\$ 3.00 - Per 1,000 Gallons of Water over 8,000 Gallons

**Waterworks District No. 2 of St. Helena Parish
Schedule of Water Customers
For the year ended December 31, 2012**

	December 31, 2012	December 31, 2011	Increase (Decrease)
Customers			
Residential	2,260	2,247	13
Commercial and Dairy	63	64	(1)
Total Customers	<u>2,323</u>	<u>2,311</u>	<u>12</u>
Number of customers having a meter size larger than the residential size (3/4")			<u>40</u>

See accountant's report.

OTHER INDEPENDENT AUDITOR'S REPORT

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters on an Audit Financial
Performed in Accordance with *Government Auditing
Standards***

ANTHONY B BAGLIO, CPA
A PROFESSIONAL ACCOUNTING CORPORATION
2011 Rue Simone
Hammond, Louisiana 70403
(985) 542-4155 or (985) 542-4186

May 29, 2013

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Board of Commissioners
Waterworks District No. 2 of St. Helena Parish
Greensburg, Louisiana 70441

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-typed activities of Waterworks District No. 2 of St. Helena Parish, Greensburg, Louisiana, a component unit of the St. Helena Parish Police Jury, as of and for the year ended December 31, 2012 and 2011 and the related notes to the financial statements, which collectively comprise Waterworks District No. 2 of St. Helena Parish, Greensburg, Louisiana's basic financial statements, and have issued my report thereon dated May 29, 2013.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Waterworks District No. 2 of St. Helena Parish, Greensburg, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 2 of St. Helena Parish, Greensburg, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 2 of St. Helena Parish, Greensburg, Louisiana's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Commissioners
Waterworks District No. 2 of St. Helena Parish
Greensburg, Louisiana 70441

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 2 of St. Helena Parish's, Greensburg, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anthony B. Baglio, CPA
A Professional Accounting Corporation
Hammond, Louisiana

May 29, 2013

SCHEDULE OF CURRENT YEAR AUDIT FINDINGS

**Waterworks District No. 2 of St. Helena Parish
Greensburg, Louisiana**

**Schedule of Current Year Audit Findings
For the Year Ended December 31, 2012**

Section 1 – Summary of Auditor’s Results

I have audited the financial statements of Waterworks District No. 2 of St. Helena Parish as of and for the year ended December 31, 2012 and 2011, and have issued my report thereon dated May 29, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2012 resulted in an unqualified opinion.

Report on Internal Control and Compliance Material to the Financial Statements

Internal control

Material weaknesses identified? yes x no

Significant deficiencies identified not
considered to be material weaknesses? yes x no

Compliance

Noncompliance material to financial
statements noted? yes x no

Section II – Financial Statement Findings

None.